

AMENDED IN SENATE SEPTEMBER 3, 2009

AMENDED IN SENATE JUNE 29, 2009

AMENDED IN ASSEMBLY JUNE 1, 2009

AMENDED IN ASSEMBLY APRIL 15, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 1011

Introduced by Assembly Member Jones

February 27, 2009

~~An act to add Section 14167.40 to the Welfare and Institutions Code, relating to Medi-Cal.~~ *An act to add Division 4 (commencing with Section 13900) to the Insurance Code, relating to green insurance.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1011, as amended, Jones. ~~Medi-Cal: hospitals.~~ *Insurance: green incentives.*

Existing law generally regulates the business of insurance in this state.

This bill would require the Insurance Commissioner to hold public hearings, collect certain information, and study the effects of environmentally friendly practices on insurance products, as specified. This bill would also require property insurers to offer green replacement coverage, as defined, to an insured after a loss. This bill would require property insurers to offer coverage for solar and wind distributed generation, as specified. This bill would also authorize insurers to claim a 20-percent credit for investments in environmental financial institutions against the amount of gross premiums tax owed by the insurer, as specified.

~~Existing law establishes the Medi-Cal program, administered by the State Department of Health Care Services, under which basic health care services are provided to qualified low-income persons. Under existing law, the Medi-Cal Hospital/Uninsured Care Demonstration Project Act, specified hospital reimbursement methodologies are applied in order to maximize the use of federal funds consistent with federal Medicaid law and stabilize the distribution of funding for hospitals that provide care to Medi-Cal beneficiaries and uninsured patients.~~

~~This bill would declare the intent of the Legislature to enact legislation that would implement supplemental payments to hospitals, impose a coverage dividend fee on hospitals, provide funding for coverage for children, establish direct grants to designated public hospitals, and impose other requirements necessary to implement the provisions of AB 1383 of the 2009–10 Regular Session and to obtain necessary federal approvals, waivers, and waiver modifications.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Division 4 (commencing with Section 13900) is*
2 *added to the Insurance Code, to read:*

3
4 *DIVISION 4. CALIFORNIA GREEN INSURANCE*

5
6 *PART 1. GENERAL PROVISIONS*

7
8 13900. *This division shall be known, and may be cited, as the*
9 *California Green Insurance Act of 2010.*

10 13901. *The Legislature finds and declares all of the following:*

11 (a) *Global warming poses a serious threat to the economic*
12 *well-being, public health, natural resources, and environment of*
13 *California. The potential adverse impacts of global warming*
14 *include the exacerbation of air quality problems, a reduction in*
15 *the quality and supply of water to the state from the Sierra*
16 *snowpack, a rise in sea levels resulting in the displacement of*
17 *thousands of coastal businesses and residences, damage to marine*
18 *ecosystems and the natural environment, an increase in the*
19 *incidences of infectious diseases, asthma, and other human*

1 *health-related problems, and an increase in the occurrence and*
2 *severity of natural catastrophes.*

3 *(b) Global warming will have detrimental effects on some of*
4 *California's largest industries, including the insurance industry.*
5 *It will also increase the strain on energy and natural resources*
6 *necessary to rebuild and restore property after losses.*

7 *(c) By increasing incentives for the use of low-emission vehicles,*
8 *reduced driving, the building of "green buildings," investments*
9 *in renewable energy projects, and the conservation of natural*
10 *resources, the insurance industry can help reduce greenhouse gas*
11 *emissions.*

12 *(d) California has long been a national and international leader*
13 *on energy conservation and environmental stewardship efforts,*
14 *including efforts regarding air quality protection, energy efficiency*
15 *requirements, renewable energy standards, natural resource*
16 *conservation, and greenhouse gas emission standards for*
17 *passenger vehicles. The program established by this division will*
18 *continue this tradition of environmental leadership by continuing*
19 *to place California at the forefront of national and international*
20 *efforts to reduce emissions of greenhouse gases.*

21 *(e) National and international actions are necessary to fully*
22 *address the issue of global warming. However, actions taken by*
23 *California to reduce emissions of greenhouse gases will have*
24 *far-reaching effects by encouraging other states, the federal*
25 *government, and other countries to act.*

26 *(f) By exercising a global leadership role, California will also*
27 *position its economy, technology centers, financial institutions,*
28 *and businesses to benefit from national and international efforts*
29 *to reduce emissions of greenhouse gases. More importantly,*
30 *investing in the development of innovative and pioneering*
31 *technologies will assist California in achieving the 2020 statewide*
32 *limit on emissions of greenhouse gases established by this division*
33 *and will provide an opportunity for the state to take a global*
34 *economic and technological leadership role in reducing emissions*
35 *of greenhouse gases.*

36 *(g) It is the intent of the Legislature that the Insurance*
37 *Commissioner coordinate with state agencies, as well as consult*
38 *with the environmental justice community, industry sectors,*
39 *business groups, academic institutions, environmental*
40 *organizations, and other stakeholders in implementing this division.*

1 (h) *It is the intent of the Legislature that the Insurance*
2 *Commissioner consult with the Public Utilities Commission, the*
3 *State Air Resources Board, the California Environmental*
4 *Protection Agency, and the National Association of Insurance*
5 *Commissioners in the development of emissions standards for*
6 *low-emission vehicles for insurance rating purposes.*

7 (i) *It is the intent of the Legislature that the Insurance*
8 *Commissioner consult with the Public Utilities Commission, the*
9 *State Air Resources Board, the California Environmental*
10 *Protection Agency, and the National Association of Insurance*
11 *Commissioners in the development of green building standards*
12 *for insurance rating purposes in a manner that minimizes costs*
13 *and maximizes benefits for California's economy, improves and*
14 *modernizes California's energy infrastructure and maintains*
15 *electric system reliability, maximizes additional environmental*
16 *and economic cobenefits for California, and complements the*
17 *state's efforts to protect the natural environment and reduce global*
18 *warming.*

19 (j) *There are specialized financial institutions in California that*
20 *are specifically dedicated to, and whose core purpose is to, provide*
21 *financial products and services designed to protect the natural*
22 *environment and reduce global warming. These environmental*
23 *financial institutions (EFIs) more readily offer financing for*
24 *environmental and renewal energy projects than traditional*
25 *financial institutions. In addition, they serve a critical role in*
26 *addressing issues of protecting natural resources, reduction of*
27 *greenhouse gas emissions, and expansion of renewable energy*
28 *sources.*

29 (k) *These green-driven financial institutions require additional*
30 *capital in order to expand their ability to provide financial products*
31 *and services for businesses and projects that protect the*
32 *environment and reduce global warming.*

33 (l) *In carrying out their mission, funding environmentally sound*
34 *development is given priority by EFIs over providing high returns*
35 *to investors.*

36 (m) *It is the intent of the Legislature to provide an incentive in*
37 *the form of California tax credits to attract much needed additional*
38 *private capital investments that would not otherwise be available*
39 *to EFIs without the benefit of that incentive. It is the expectation*
40 *of the Legislature that EFIs will leverage these new investment*

dollars for the direct benefit of the natural environment and renewable energy sources in California.

(n) California maintains a multibillion dollar insurance industry that uses considerable natural resources and energy while transacting its business. If all admitted insurers engaged in specified environmental mitigation conduct, in the aggregate, this would result in the protection of the natural environment and the reduction of greenhouse gases.

PART 2. GREEN AUTOMOBILE INSURANCE PROVISIONS

13910. Insurers admitted to transact insurance in this state that offer automobile insurance shall, via electronic transmission, notify the Insurance Commissioner whether or not they offer a premium reduction for low-emission vehicles, and if so, the cost and claims of those vehicles compared to high-emission vehicles.

13911. The Insurance Commissioner shall conduct public hearings comparing and contrasting the risk, costs, and claims experience between low-emission and non-low-emission vehicles.

13912. The Insurance Commissioner may develop instructions, procedures, and standards for applications under this part. The Insurance Commissioner may, from time to time, issue regulations to implement the provisions of this part.

PART 3. GREEN BUILDING INSURANCE PROVISIONS

13920. Insurers admitted to transact insurance in this state that offer property insurance shall offer “Green Replacement Coverage” which would allow an insured, after a loss, to replace conventional building materials with specified green alternative materials such as nontoxic paints and carpeting, energy-efficient lighting systems, and water-efficient interior plumbing.

13921. Insurers admitted to transact insurance in this state that offer property insurance shall, via electronic transmission, notify the Insurance Commissioner whether or not they offer a premium reduction for green upgrades or coverage, and if so, the cost and claims of those policies compared to conventional policies.

13922. Insurers admitted to transact insurance in this state that offer property insurance shall offer coverage for solar and

1 wind distributed generation as part of, or in addition to, a
2 residential property policy.

3 13923. The Insurance Commissioner shall conduct public
4 hearings comparing and contrasting the risks, costs, and claims
5 experience associated with green buildings and buildings with
6 solar and wind distributed generation, and the development of
7 insurance products and derivatives to support those projects.

8 13924. The Insurance Commissioner may develop instructions,
9 procedures, and standards for applications under this part. The
10 Insurance Commissioner may, from time to time, issue regulations
11 to implement the provisions of this part.

12
13 **PART 4. GREEN WORKERS COMPENSATION INSURANCE**
14 **PROVISIONS**
15

16 13930. The Insurance Commissioner shall conduct public
17 hearings regarding the health impacts, including, but not limited
18 to, absentee worker rates, on workers in green buildings, and use
19 the information in establishing the appropriate workers'
20 compensation claims cost benchmark.

21
22 **PART 5. GREEN INSURANCE TAX CREDIT AND INVESTMENT**
23 **PROVISIONS**
24

25 13940. (a) For each year, beginning on or after January 1,
26 2011, there shall be allowed, as a credit against the amount of
27 tax, as defined in Section 28 of Article XIII of the California
28 Constitution, an amount equal to 20 percent of the amount of each
29 qualified investment made by a taxpayer during the taxable year
30 into an environmental financial institution that is certified by the
31 Department of Insurance.

32 (b) For purposes of determining any tax that may be imposed
33 under Section 685 on a taxpayer not organized under the laws of
34 this state, the amount of the credit allowed by subdivision (a) shall
35 be treated as a tax paid under Section 12201 or Section 28 of
36 Article XIII of the California Constitution.

37 (c) Notwithstanding any other provision of this part, no credit
38 shall be allowed under this section unless the Department of
39 Insurance certifies that the investment qualifies for the credit under

1 *this section and certifies the total amount of the credit allocated*
2 *to the taxpayer pursuant to this section.*

3 *(d) No credit shall be allowed by this section unless the*
4 *applicant for certification as an environmental financial institution*
5 *and the taxpayer provide satisfactory substantiation to, and in the*
6 *form and manner requested by, the Department of Insurance.*

7 *(e) An environmental financial institution shall do all of the*
8 *following:*

9 *(1) Apply to the Department of Insurance for certification of its*
10 *status as an environmental financial institution.*

11 *(2) Apply to the Department of Insurance, on behalf of the*
12 *taxpayer, for certification of the amount of the investment and the*
13 *credit amount allocated to the taxpayer, obtain the certification,*
14 *and retain a copy of the certification.*

15 *(3) Obtain the taxpayer's California company identification*
16 *number for tax administration purposes and provide that*
17 *information to the Department of Insurance, with the application*
18 *required in paragraph (2).*

19 *(4) Provide an annual listing to the State Board of Equalization,*
20 *in the form and manner agreed upon by the State Board of*
21 *Equalization and the Department of Insurance, of the names and*
22 *taxpayer's California company identification numbers of any*
23 *taxpayer who makes any withdrawal or partial withdrawal of a*
24 *qualified investment before the expiration of 60 months from the*
25 *date of the qualified investment.*

26 *(f) The Insurance Commissioner may develop instructions,*
27 *procedures, and standards for applications, and for administering*
28 *the criteria for the evaluation of applications, under this section.*
29 *The Insurance Commissioner may, from time to time, issue*
30 *regulations to implement the provisions of this section.*

31 *(g) In the case where the credit allowed by this section exceeds*
32 *the "tax," the excess may be carried over to reduce the "tax" for*
33 *the next four years, or until the credit has been exhausted,*
34 *whichever occurs first.*

35 *(h) The State Board of Equalization shall, as requested by the*
36 *Department of Insurance and the California Organized Investment*
37 *Network or its successor, advise and assist in the administration*
38 *of this section.*

1 PART 6. GREEN INSURANCE INDUSTRY MITIGATION
2 PROVISIONS

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4 13950. *Insurers admitted to transact insurance in this state*
5 *shall, via electronic transmission, notify the Insurance*
6 *Commissioner whether or not they submit documents to insureds*
7 *on an electronic basis, and any cost savings associated with that*
8 *practice.*

9 13951. *The Insurance Commissioner shall conduct public*
10 *hearings to gather information that would assist in better*
11 *understanding the nature and magnitude of damages and risks*
12 *from natural disasters triggered by climate change in advance in*
13 *an effort to minimize the impact of a disaster.*

14 13952. *The Insurance Commissioner shall conduct public*
15 *hearings to assess the insurance industry's consumption of paper*
16 *and electricity, and develop industrywide mitigation measures.*

17 13953. *The Insurance Commissioner may develop instructions,*
18 *procedures, and standards for applications, and for administering*
19 *the criteria for the evaluation of applications under this part. The*
20 *Insurance Commissioner may, from time to time, issue regulations*
21 *to implement the provisions of this part.*

22 ~~SECTION 1. Section 14167.40 is added to the Welfare and~~
23 ~~Institutions Code, immediately following Section 14167.39, to~~
24 ~~read:~~

25 ~~14167.40. It is the intent of the Legislature to enact legislation~~
26 ~~that would implement supplemental payments to hospitals, impose~~
27 ~~a coverage dividend fee on hospitals, provide funding for coverage~~
28 ~~for children, establish direct grants to designated public hospitals,~~
29 ~~and impose other requirements necessary to implement Article~~
30 ~~5.21 (commencing with Section 14167.1) and Article 5.22~~
31 ~~(commencing with Section 14167.31), as contained in Assembly~~
32 ~~Bill 1383 of the 2009–10 Regular Session, and to obtain necessary~~
33 ~~federal approvals, waivers, and waiver modifications.~~